ECONOMIC COMMISSION FOR EUROPE
TIMBER COMMITTEE

66th SESSION
OCTOBER 2008

P O L A N D

STATEMENT ON THE WOOD MARKET REVIEW AND PROSPECTS

Ministry of the Environment

1. GENERAL ECONOMIC TRENDS AFFECTING THE FOREST AND FOREST INDUSTRIES SECTOR

Economic activity measured by real Gross Domestic Product growth rate was 6.6% in 2007. A high growth rate should continue in the nearest future. Domestic demand is the main economic growth factor in Poland. In 2007 domestic demand grew by 8.3% in real terms. At the same time accumulation growth was high and reached 19.9% and gross capital formation increased by 17.6%. The investment revival resulted in growth in investment outlay by 20.9%. It is forecasted that in the period 2008-2009 the share of investments in GDP will increase from 21.7% to 23.6% and 24.9%, respectively. Implementation of investment undertakings is favoured by a relatively well economic and financial situation of companies, growing absorption of European Union assistance funds, and a high inflow of capital in the form of direct foreign investments. Financial resources are allocated mainly for improvement and development of existing infrastructure and development of construction. In 2007 gross added value in construction rose by 16.4% and it was higher than in the whole economy and industry in general by almost 10 and 9 percentage points, respectively. The growth scale was decided by the dynamics of construction and assembly production (12.2% in relation to the previous year). The growth is an effect of an increase in investment demand of households and companies, and it concerns both a rise in sale of investment works and in refurbishment works. In 2007 133.7 thou. of dwellings were completed (15.9% more than in 2006), mainly in the sector of individual construction and constructions intended for sale or rent. Economic prosperity in housing construction, which is significant also for the development of the wood sector, is confirmed by the fact that in mid 2008 around 705 thou. of dwellings were under construction, construction of 95 thou. new dwellings was started and permissions for construction of 115 thou. of dwellings were issued. It is assumed that growth tendencies in construction industry will continue in the nearest future – index of general economic situation in construction is positive.

In 2007 sold production of industry was higher by 9.5% than in 2006 (in fixed prices), and of manufacturing by 10.6%. Production of wood products (sold production increased by 11.8%) develops faster than production of industry in general. In furniture industry and in pulp and paper industry rise in sold production was lower and reached 8.2% and 7.9%, respectively. The share of wood industries in sold production of the whole industry is more than 8% and in manufacturing it is around 10%. Up to date results for 2008 indicate that growth in sold production of industry will continue and reach 8-9% in the next years. According to forecasts dynamics of sold production growth in the wood sector will slow down to 2-3%. Continuous rise in work efficiency is of great importance to the Polish industry – in 2007 the efficiency was higher by around 6% than the year before and at the same time average employment rose by 3.4% and average monthly salary (nominal) increased by 8.7%. Use of production capacities has been on the rise as well. In mid 2008 in industrial processing the index of production capacity use was 80%. Among other things pulp and paper industry is characterised by high dynamics of growth in production capacity use.

Situation on the labour market has significant influence on the level of domestic demand. In year 2007 positive trends on the labour market, which had been visible since Poland's accession to the European Union, strengthened. The average employment in the economy increased by 3.4% and in industry by 3.9%. The greatest increase in employment was observed in construction and it was 7.4%. Employment in the wood sector has been on the rise as well and in 2007 it increased by 3.1% in production of wood products, by 4.2% in pulp and paper production, and by 3.7% in furniture industry. The employed in the wood sector account for over 11% of the employed in industry. It is anticipated that in 2008 employment in the whole economy will rise by 3.4% and in 2009 by another 2%. The unemployment rate which was 11.4% at the end of 2007 should decrease to the level of 9.2% and 8.1%, respectively, in the years 2008 and 2009.

For the Polish economy foreign trade is an important pro-developmental factor. Export proves relatively high competitiveness of Polish trade offer on international markets. It concerns wood and products of wood processing as well. Import is a result of, inter alia, upturn in investment atmosphere and increase of the internal market demand. In 2007 the value of exports was PLN 386.6 billion (USD 138.8 billion, € 101.8 billion), at the same time dynamics of the exports' growth was significantly inhibited (in 2007 real growth was 9.4%; while in 2006 it was 16.1%). Approximately 79% of the value of Polish exports is sent to the European Union markets, mainly to Germany (26% of deliveries in general). In 2007 imports amounted to PLN 456.8 billion (USD 164.2 billion, € 120.4 billion) and in real terms it was higher than in the previous year by 15.1%. Around 64% of Polish imports come from the European Union area. A quickly growing import volume resulted in further increase of passive foreign trade balance. It is forecasted that in the years 2008-2009 exports will grow by 7.4% and 6.7% in real terms and imports by 10.2% and 7.9%, respectively. Wood raw material and products of its processing amount to about 11% of the value of Polish exports and to almost 5% of Polish imports. Contrary to the situation characteristic for the whole foreign trade, wood products generate an active balance of exports and imports.

Currently an alarming phenomenon is dynamics of consumer goods and services prices. In 2007 these prices increased by 2.5% in relation to 2006. For 2008 their average annual growth is anticipated at the level of 4.1% and in 2009 inflation is forecasted to decrease to 2.9%. Inflation processes are mainly shaped by strong salary pressure (in 2007 rise in salary reached 6.3% in real terms) and high dynamics of prices of food and energy carriers.

2. POLICY MEASURES TAKEN IN POLAND OVER THE PAST 18 MONTHS, WHICH MIGHT HAVE A BEARING ON TRADE AND MARKETS OF FOREST PRODUCTS OR FOREST MANAGEMENT

The way of conduct of social and economic development policy in Poland as well as its principles and legal framework, also when it comes to functioning of the forestry-wood sector, are defined in the *Act on principles of development policy conduct*. The Act assigns *The National Development Strategy 2007-2015* a role superior to other strategies and programme documents. It is a basic document defining goals and priorities of social and economic development of Poland and conditions which should ensure this development. Time horizon of the *Strategy* overlaps with the financial planning period of the European Union for the years 2007-2013. Among other governmental documents the *National Cohesion Strategy* is a leading document which defines priorities of use of EU funds and systems of their implementation. The *Strategy* is executed using six Operational Programmes (referring to basic problems of the country's development: development of economically weakest regions, development of technical infrastructure, support for making use of human potential, increase in the economy's level of innovation, increase competitiveness of border areas) and 16 Regional Operational Programmes (concerning development of individual regions, including such areas as: forest management, nature protection and the wood sector). At present following documents are also important:

- „Convergence Programme – Update 2007" – it sets lines of government economic policy till 2010 which will make it possible to achieve high and long-term growth determining process of convergence with European Union countries;
- „National Programme of Reforms for the period 2005-2008 for realization of the Lisbon Strategy" – it indicates lines of action for the years 2005-2008 for realization of goals of the revised Lisbon Strategy;
- „Rural Areas Development Programme 2007-2013" – it indicates aims and lines of action as well as instruments to be used within the framework of Common Agricultural Policy. The *Programme* also concerns support for forestry in the scope of: increasing competitiveness and profitability of forest managements through restructuring of agricultural farms, enlargement of forest areas, and development of services for forestry.

Within the framework of main priorities of the state's economic policy former instruments used by the state to influence the economy are reformed and new instruments are created. In the first place it concerns:

- reform of public finance and fiscal system;
- increase in competitiveness and innovation level of the economy and rise in entrepreneurship (improvement of the quality of legal regulations, simplification of administrative procedures and reduction of business costs, finalization of privatization processes, simplification of building investment process, support for R&D);
- increase in employment and in its quality (reduction in non-salary costs of employment, increase in flexibility and diversity of employment forms, activization of people close to retirement age – „50+ Programme" activization of the handicapped, legal regulations allowing employment of foreigners);
- development and modernization of infrastructure.

An important element of economic policy is energy policy, whose guidelines are being specified in the document "Poland's energy policy – Strategy till 2030". The document assumes fast development of the economy, including the forestry-wood sector, which will not cause an increase in demand for primary energy. It is also planned that till 2030 the energy consumption of the economy will be reduced to the average level in the European Union (EU-15) of 2005 and the use of renewable energy sources in final energy balance be increased to the level of 15% in 2020 and to 20% in 2030.

To a greater and greater extent the wood market is also influenced by actions undertaken in the scope of environmental protection and aiming at reduction of greenhouse gases emission. It is presumed that the necessity of CO_2 emission decrease, despite many threats, does not have to mean a drop in the economic growth rate of the wood sector (mainly paper industry and wood-based panel industry). In longer term effects of actions undertaken in this scope may have a positive bearing on the development of these industries. Although these actions are very expensive they may force technological innovations and improved effectiveness of natural resources and energy management.

Minimizing negative environmental effects and maximizing outlay on the environmental protection has become an additional factor in the business environment of wood companies. Lines and scope of undertaken actions determine the area of their corporate responsibility towards local community, country and the world. Increasing pressure on environmental protection and challenges connected therewith already determine pace and lines of the wood sector development and in the future their influence will grow. Adjustment to the Community's as well as national regulations creates a chance of dynamic expansion of individual companies and whole wood industries, because more and more often the market assesses not only the economic result but also ecological activity. The competitiveness of wood companies in local, national or global market to a greater and greater degree depends on their ability to deliver a tailor-made offer (supply) of materials, products and services in an acceptably short time and of desired quality. At the same time an integral part of this quality is evaluation of "environmental" values of the companies; however this may be an important limitation of their future development.

Climate change and shrinking energy resources forcing us to look for environmental friendly solutions also in construction which is a basic stimulus of the wood market development in Poland (qualities of wood and changes in its processing technology have resulted in broader possibilities of its use for these purposes). A trend toward building human friendly and environmental friendly houses made of ecological materials and according to energy saving technologies has been gaining importance also in Poland. Hitherto high costs have been considered the main disadvantage of such construction. In Poland the first step towards "green building" is introduction of an obligation to have energy certificate valid for ten years for every completed building and every building that is sold or rented. This obligation is to come into force in 2009. The energy class confirmed by the certificate defines energy quality of the real estate and contains guidelines concerning investment possibilities in the scope of energy quality (this will make it possible to estimate exploitation costs).

Another assumption of the state's policy is transformation towards knowledge-based economy. It entails enhancement of the role of science in economic development and support for R&D. Such initiatives as approval of implementation of the Innovative Economy Programme in 2007 have been helping to achieve these goals. Participation of Polish scientists in EU 7th Framework Programme has been promoted and supported, also in the area related to the forestry-wood sector. Created in 2005 the Polish Technology Platform for the Forestry and Wood Sector has been actively joining European research. The Platform's aim is to support innovations in the wood sector, stimulate competitiveness of wood companies and industries in local, European and world market, and tailoring research priorities to the industry's needs.

3. MARKET DRIVERS

Wood market in Poland operates based in the first place on the available national raw material base. Poland has at its disposal one of the biggest in Europe wood resources and up to recently it was a self-sufficient country in terms of wood supply. However economic prosperity thus wood sector prosperity and competition for wood raw material used also by the energy sector resulted in the raw material shortage which has been observed in recent years. This temporary wood deficit is conducive to wood prices increase which in turn worsens the conditions of wood companies' operation. Therefore possibilities of augmenting wood supply (increased harvesting, import) and increasing effectiveness of its use have been discussed.

Moreover, the wood market in Poland is currently shaped by external factors connected with the situation in the world economy as well as by situation and dynamics of the national economy development. External conditions seem to be moderately optimistic, although the economic situation worsened and the USA economy slowed down, there were some disruptions on international financial markets, a downward trend on real estate markets strengthened, and prices of natural resources considerably rose. On the other hand, national economy is in the phase of revival. Increasing activity of construction sector is especially important to the market in wood and products of its processing for the sector is a direct consumer of wood materials and at the same time creates demand for final wood products.

Additionally the following issues are important for the development of the forestry-wood sector:

- possibility of using available assistance funds from the European Union,
- foreign capital in the form of direct foreign investments (mainly in wood-based panel, furniture and paper industries),
- foreign trade, especially export.

These instruments stimulate growth of employment and production effectiveness, rise modernity of techniques and technologies used, are conducive to an increase in competitiveness and innovation level. However former high dynamics of export of wood materials and products has been negatively influenced by present currency exchange rates, i.e. a record exchange rate of PLN to euro and US dollar. Wood and products of its processing are significant items of Polish exports.

Similar to the whole economy a new phenomenon has been observed on the labour market in the forestry-wood sector, i.e. labour deficit (despite still relatively high unemployment rate). If previous migration trends continue shortage of labour with adequate qualifications may become a strong hindrance to the sector's development. At present, however, cross-border exchange of employees is more important, especially on the area neighbouring Germany due to traditionally strong economic connections and high unemployment rate in this region.

4. DEVELOPMENTS IN FOREST PRODUCTS MARKETS SECTORS

4.1. (A) Wood raw materials

In 2007 35.9 million m^3 of roundwood was harvested in Poland. It was 3.6 million m^3 (11%) more than in 2006. Softwood accounts for 76% of it. However, the increase in harvesting concerned only softwood, whereas harvesting of hardwood decreased by 315 thou. m^3. Medium-size wood dominates the harvesting structure and accounts for 51%; the share of large-size wood is 44% and of small-size wood 5%. Around 90% of harvested roundwood is intended for production. In the case of softwood it is 93% and in the case of hardwood 81%. In 2007 15.8 million m^3 of sawnlogs (an increase by 20% in relation to 2006) and 14.8 million m^3 of pulpwood (an increase by 9%) was harvested. 3.5 million m^3 of fuel wood was harvested as well, i.e. 4% less than in 2006.

Export of roundwood has been representing a downward trend. In 2007 0.4 million m^3 of wood (1% of harvested volume) was exported from Poland. Approximately 87% of exports was production wood. Exports of fuel wood amounted to 51.5 thou. m^3 and was lower by 34% than in 2006. 79% of exported roundwood for industrial processing is softwood, mainly pine. Imports of wood amounts to around 6% of harvested volume. In 2007 Poland imported 2.1 million m^3 of wood, including only 3.5 thou. m^3 of fuel wood (0.2%). The structure of imported wood is dominated by hardwood species (51%) – mainly by birch pulpwood. However, in 2007 imports of softwood pulpwood increased significantly (by 62% in relation to 2006).

It is anticipated that in the nearest future roundwood harvesting will be increasing by 2-3% per annum up to 37.8 million m^3 in 2009. The rise in harvesting of softwood (sawnlogs and pulpwood) should be the quickest. It is forecasted that previous trends in foreign trade in roundwood will continue. Exports as well as imports should remain at a level similar to the level in 2007.

4.2. (B) **Wood energy, with a focus on government policies promoting wood energy**

In Poland the share of renewable energy production in total energy generation is 6.47% and the share in consumption amounts to 5.01% (2006). An important source of renewable energy is biomass. In Poland due to localisation and the lay of the land (as well as limited possibility of using water power or wind power) biomass accounts for about 91% (4.6 million toe – tonne of oil equivalent) of renewable energy production (5 million toe in 2006). In the period 2000-2006 biomass harvesting increased by 28%. In domestic final biomass consumption the share of the paper industry is 17.8%, of the wood industry 4.7%, and the share of agriculture and forestry amounts to 11.7% (the biggest consumers of biomass (61%) are households). Hitherto the dominant part of this biomass comes from wood. However in the years to come, according to the assumptions of the country's economic policy, the share of forest biomass (coming directly from wood, forest residues or industrial waste) in the total mass of biomass used in co-burning (power plants of power over 5 MW) is to be limited from 95% in 2008 to 75% in 2010. Recently Poland has introduced limitations on the use of wood raw material for energy purposes on the grounds that there has been a shortage of this raw material for production purposes (unconditional priority of material use of wood in any form is assumed) and a necessity for environmental protection. It is estimated that it will require enlargement of the land area of intentional cultivations for the needs of the power industry from current 10 thou. hectares to 0.5 million hectares in 2015 to satisfy the demand for agricultural biomass. It should be remembered that biomass markets are created relatively slowly, i.e. willow yielding fully after 3 years and poplar after 7-8 years. Therefore it is necessary to significantly accelerate their growth and promote new varieties of quick growing energy plants (inter alia willow *Salix viminalis*, miscanthus, non-thorn rose, Virginia fanpetals *Sida hermaphrodita*, poplar, and false acacia). Such plantations may be considered a new field of agricultural production, additional source of income, and an effective way of using uncultivated land by farmers. Running of these plantations is eligible for EU subsidies in the framework of unified area payment system.

4.3. (C) **Certified forest products**

In Poland forest certification process was started in 1996 on the areas belonging to the State Forests National Forest Holding. Hitherto 16 out of 17 State Forests Regional Directorates responsible for almost 77% of the forest area in Poland have undergone forest certification of type FM (*Forest Management*) under FSC system (*Forest Stewardship Council*). In mid 2008 certification covered 5.2 million hectares of forests and it is 9% of forest area in Europe certified according to FSC standards.

Poland like countries where the importance of the forestry-wood sector to the economy is similarly high strives at introducing also a national PEFC (*Programme for the Endorsement of Forest Certification*) certification system. In the future forests previously certified under FSC system are to be certified in accordance with national standards developed within the framework of PEFC system.

For companies processing wood raw material the fact that it comes from *"well managed forests"* becomes more and more important instrument for laying out and implementation of their own development strategies. Certificate of product origin control so-called CoC (*Chain of Custody*) documenting that production of wood materials and products is based on raw material originating from certified forests is of great importance, especially to companies which export their products. In business environment a company holding certificate is regarded as a partner characterised by lower risk. In Poland in mid 2008 399 companies held certificate of product origin control FSC CoC (including their branches it was 450 entities). Out of this number 364 certificates were active (35 certificates were temporarily suspended). Approximately 79% of these companies (289 firms) are wood production companies. The rest of the firms are non-production plants (such as trade, service, import-export companies, and consultancies). Certified firms are dominated by producers of sawnwood and wooden garden products (60% of the total number of certified companies), producers of furniture and of builder's carpentry and joinery account for 8% each group, and wood-based panel producers for 6%. Currently CoC certificate is held by all Polish producers of MDFs, OSBs, hardboards and insulating boards, as well as most of the producers of particleboards and plywood. Polish companies which have certificate of product origin control consistent with FSC standards account for 8% of all companies holding this certificate in Europe and for 3.9% of all such companies in the world.

Among Polish wood companies certified according to FSC-STD-40-004 standard ten firms have also FSC CW (*Controlled Wood*) certificate for producers processing also non-certified wood raw material. It means that origin of this wood is verified pursuant to FSC-STD-40-005 standard.

4.4. (D) Value-added wood products

In Poland in the group of value added wood products furniture is the most important item. In 2007 furniture production amounted to PLN 23.5 billion (USD 8.5 billion) and was higher than in the previous year by 11.7% (in fixed prices). Wooden furniture accounted for 65% of it. Around 84% of furniture produced in Poland was exported and it was by 9% more than in 2006. Furniture is a basic product group in whole Polish exports (5.1% of the total exports value). Around 86% of exports was directed to the European Union countries, mainly to the German market. Wooden furniture accounted for 55% in the total furniture exports. In 2007 furniture of the value of PLN 3.6 billion (USD 1.3 billion) was imported to Poland and in relation to the production it was 15%. In relation to 2006 furniture imports was higher by over 19%. Imported furniture came mainly from the European Union area (72%). Wooden furniture accounted for 25% of the total value of imported furniture.

Builder's carpentry and joinery products are also significant items on the market in value-added wood products in Poland. In 2007 production of this industry was higher than in 2006 by over 13% (in fixed prices) and reached the value of PLN 5.2 billion (USD 1.9 billion). 12.9 million m^2 of wooden windows and doors was produced. More than 42% of the products of this industry were exported. Imports in relation to the production were 8%.

Products of secondary processing of paper and paperboard make up a separate group of wood products of relatively high added value. In 2007 their production amounted to PLN 17 billion (USD 6.1 billion) and was higher than in the previous year by 16% (in fixed prices). Value structure of the production is dominated by paper and corrugated paperboard and packaging from paper and paperboard whose share is 36%; the share of paper products for households and sanitary use is 24%, and books, news papers and similar publications account for 30%. Wood products of the value of PLN 6.9 billion (USD 2.5 billion) were exported and it meant an increase by 10% in relation to 2006. Exports consisted mainly of paper products for households and sanitary use (38%) and printing products (26%). In 2007 imports of products of secondary processing of paper and paperboard amounted to the value of PLN 4.1 billion (USD 1.2 billion). Imports consisted mainly of packaging from paper and paperboard (26%), printing products (22%), and paper products for households and sanitary use (18%).

It is estimated that former high dynamics of the development of the Polish market in value-added wood products will continue in the nearest future as well.

4.5. (E) Sawn softwood

In 2007 2.8 million m^3 of sawn softwood (without sawn semi-products) was produced in Poland. In relation to the previous year it was 6% less; whereas exports increased by 8% and amounted to 0.5 million m^3 (including sawn semi-products). Pine sawnwood (58%) dominated exports. In 2007 imports of sawn softwood to Poland amounted to 0.5 million m^3, thus the increase was 79% in relation to the previous year. Imports consisted of pine sawnwood in 34% and of spruce and fir sawnwood in 19%.

It is forecasted that in the nearest future the market in sawn softwood will revive in Poland. Production should increase to 3.3 million m^3 in 2009. Exports will probably maintain at a level similar to the level in 2007 (0.5 million m^3 in 2009). Imports may demonstrate a slight upward trend (0.5 million m^3 in 2009).

4.6. (F) **Sawn hardwood**

In 2007 in Poland production of sawn hardwood decreased to less than 0.5 million m^3 (without sawn semi-products), i.e. to 78% of the level of 2006. Also exports of sawn hardwood dropped by 11% (including sawn semi-products exports amounted to 0.1 million m^3). First of all oak sawnwood (51%) and beech sawnwood (22%) was exported. Imports of sawn hardwood amounted to 0.3 million m^3 (22% more than in the previous year). Oak sawnwood (50%) dominates imports, which is a similar situation to exports, but beech sawnwood (21%) is also of great importance.

It is estimated that in the period 2008-2009 production of sawn hardwood will increase to 0.6 million m^3 as well. Exports should be growing by 7-8% per annum (to 0.2 million m^3 in 2009) and imports will be at a similar level of 0.3-0.4 million m^3.

4.7. (G) **Wood-based panels**

Production of wood-based panels amounted to 8.5 million m^3 in 2007. The assortment structure of production is dominated by particleboards with the share of 63% (5.3 million m^3). Fibreboards are also important – their share is over 31% (2.7 million m^3). Approximately 5% of the production of wood-based panels is plywood (0.4 million m^3) and veneers account for 1% (89 thou. m^3). Oriented strand boards (OSB) account for around 11% of particleboard production. In the production of fibreboards dry-process fibreboards (HDF, MDF, and LDF) have the dominant position with the share of 65%. In recent years production of insulating boards has been rising dynamically (in 2007 by more than 10% in relation to 2006 when the increase was 15%). This growth stems mainly from ecological character of this insulation material.

In 2007 2.3 million m^3, i.e. 27% of wood-based panels produced in Poland were exported. These were mainly fibreboards (1.2 million m^3), including 43% of wet-process insulating boards and 36% of dry-process fibreboards (HDF, MDF, and LDF). In 2007 26 thou. m^3 of veneers and 148 thou. m^3 of plywood was exported as well. The wood-based panel market in Poland was additionally aided by imports which amounted to 1.7 million m^3 (in relation to the production imports amounted to 20%) and were by 9% higher than in 2006. Polish imports is dominated by particleboards (1 million m^3, 59%) and fibreboards (0.5 million m^3, 29%). Poland imported 40 thou. m^3 of veneers and 162 thou. m^3 of plywood as well.

It is forecasted that in the period 2008-2009 the wood-based panel market will be stable, characterised by trends toward insignificant increase in production of all board types. Production of dry-process fibreboards and wet-process insulating boards should still be characterised by the greatest dynamics of growth. In foreign trade former trends will continue. Probably the volume of exports and imports will be similar to the volume in 2007 (with the exception of diminishing exports of particleboards and further drop in imports of wet-process insulating boards).

4.8. (H) **Pulp and paper**

In 2007 1.1 million tonnes of wood pulp was produced in Poland and it was a level similar to the previous year. Former assortment structure of production was maintained. Production of cellulose is dominant (0.8 million tonnes, 77%); however the production dropped by 1% in relation to 2006. Mechanical wood pulp accounts for 6% (65 thou. tonnes) of the volume of wood pulp production, and production of semi-chemical wood pulp is 17% (0.2 million tonnes). A specific feature of the Polish market in wood pulp is high imports thereof. In 2007 the imports amounted to 0.5 million tonnes and accounted for 47% of the production, whereas exports was still very low and amounted to 18 thou. tonnes (in relation to the production it was less than 2%).

The market in wood pulp has been changing very slowly. Therefore it is assumed that in the nearest future no new trends will appear. It is only forecasted that due to an increasing demand high dynamics of wood pulp imports will continue.

In 2007 3 million tonnes of paper and paperboard was produced as well, i.e. by 5% more than in 2006. It was mainly packaging paper (52%) and printing paper (34%), including 20% of paper for news papers. Almost 52% of paper and paperboard production is exported – in 2007 exports amounted to 1.6 million tonnes and it was by 6% more than in the previous year. Main exports was packaging paper (1 million tonnes) and printing paper (0.5 million tonnes). Imports of paper and paperboard have been on the rise as well. In 2007 imports amounted to 2.8 million tonnes which meant an increase in imports by 10% in relation to 2006. The structure of imports is similar to the structure of exports with dominant position of packaging paper (55%) and printing paper (42%).

The Polish market in paper and paperboard should still develop dynamically. It is assumed that till 2009 production will augment by 7% (in relation to 2007). To a great extent the offer of Polish producers will be supplemented by imports (an increase by 4% in relation to 2007). Exports also may be characterized by high dynamics (6%) and it still should account for over 50% of the production volume.

Subject: Country market statements for Timber Committee Market Discussions

Table 1

Economic indicators

Indicator	1995	2000	2003	2004	2005	2006	2007
	% change on previous year						
Gross Domestic Product	107.0	104.3	103.9	105.3	103.6	106.2	106.6
Sold production of industry	109.7	106.7	108.3	112.6	103.7	111.2	109.5
Construction and assembly production	108.1	101.4	101.6	101.8	108.0	115.9	112.2
Dwellings completed	88.2	107.1	166.7	66.5	105.5	101.1	115.9
Dwellings under construction	105.5	105.7	88.5	99.0	98.7	103.7	108.2
Average paid employment							
- total	102.8	97.1	99.0	99.9	101.7	101.7	103.4
- in the enterprises sector	101.0	96.7	96.2	99.1	101.9	103.0	104.7
Registered unemployment rate (*at the end of the year*)[1]	14.9	15.1	20.0	19.0	17.6	14.8	11.4
Average monthly gross real wages and salaries							
- total	102.8	101.0	103.4	100.7	101.8	104.0	106.3
- in the enterprises sector	103.2	101.3	102.0	100.8	101.2	104.2	106.7
Price indices of consumer goods and services (*inflation*)	127.8	110.1	100.8	103.5	102.1	101.0	102.5
Investment outlays	117.1	101.4	100.6	106.5	107.7	116.8	120.9
Trade							
millions of PLN, current prices							
Exports	55 515.1	137 908.7	208 944.3	272 102.4	288 780.8	343 779.0	386 555.6
Imports	70 502.3	213 071.8	265 133.5	325 596.3	328 192.0	394 030.0	456 828.4
Balance of trade	-14 987.2	-75 163.1	-56 189.2	-53 493.9	-39 411.2	-50 251.0	-70 272.8
millions of USD, current prices							
Exports	22 894.9	31 651.3	53 576.9	73 781.2	89 378.1	109 584.1	138 785.0
Imports	29 049.7	48 940.2	68 003.9	88 156.4	101 538.8	125 645.3	164 172.5
Balance of trade	-6 154.8	-17 288.9	-14 427.0	-14 375.2	-12 160.7	-16 061.2	-25 387.5
millions of EUR, current prices							
Exports	-	34 373.4	47 526.4	59 698.0	71 423.5	87 925.9	101 838.7
Imports	-	53 084.8	60 353.8	71 354.3	81 169.7	100 784.1	120 389.5
Balance of trade	-	-18 711.2	-12 827.4	-11 565.3	-9 746.2	-12 858.2	-18 550.8

[1] *as a ratio of registered unemployed persons to the economically active civil population*